

Sara's Nails LLC

United States Bankruptcy Court for the Western District of Michigan

Case Number: _____

Official Form 425A**Plan of Reorganization Under Chapter 11****Sara's Nail's LLC Plan of Reorganization, Dated January 18, 2023****Article 1: Summary**

This Plan of Reorganization (the Plan) under chapter 11 of the Bankruptcy Code (the Code) proposes to pay creditors of Sara's Nails LLC (the Debtor) from revenue from operations of the business, proceeds from collections financing and sales of subscriptions for cosmetology treatments to be provided over the course of time in future periods.

This Plan provides for

- two classes of priority claims;
- one class of non-priority unsecured claims; and
- one class of equity security holders

Non-priority unsecured creditors holding allowed claims will receive distributions which the proponents of this Plan valued at 100 percent on the dollar. This Plan also provides for the payment of administrative and priority claims. All creditors and equity security holders should refer to Articles 3 through 6 of this Plan for information regarding the precise treatment of their claim. A disclosure statement that provides more detailed information regarding this Plan and the rights of creditors and equity security holders has been circulated with this Plan. **Your rights may be affected. You should therefore read these papers carefully and discuss them with your attorney, if you have one.**

Article 2: Classification of Claims and Interests

- 2.01 **Class 1**..... The only creditor in this class is the United States SBA.
- 2.02 **Class 2**..... Creditors Fora Financial, Mint Funding, Kapitus Strategic Funding and Swift Funding shall comprise the second class of priority claims.
- 2.03 **Class 3**..... All non-priority unsecured claims allowed under Section 502 of the code.
- 2.04 **Class 4**..... Equity interests of the Debtor.

Article 3: Treatment of Administrative Expense Claims, Priority Tax Claims and Quarterly and Court Fees

- 3.01 **Unclassified claims** Under Section 1123(a)(1), administrative expense claims and priority tax claims are not in classes.
- 3.02 **Administrative expense claims** Each holder of an administrative expense claim allowed under code section 503 will be paid.
- 3.03 **Priority tax claims** Each holder of a Priority Tax Claim will be paid.
- 3.04 **Statutory fees** All fees required to be paid under 28 USC section 1930 that are owed on or before the effective date of this Plan have been paid or will be paid on the effective date
- 3.05 **Prospective quarterly fees** All quarterly fees required to be paid under 28 USC section 1930(a)(6) or (a)(7) will accrue and be timely paid until the case is closed, dismissed or converted to another chapter of the code.

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Article 4: Treatment of Claims and Interests Under the Plan

4.01 Claims and Interests shall be treated as follows under this Plan:

Class 1 - Debtor will begin making monthly payments in the amount of \$4,500 beginning 30 days after Debtor's discharge from the bankruptcy court, such payments to continue under the terms of the original agreement with the exception that the accrued rate of interest shall be at 3% per annum and any remaining balance payable 30 years from the date of said discharge.

Class 2 - Debtor will commence paying these creditors upon Debtor's discharge, with the same frequency as in their original agreements respectively except that all such payments under Debtor's agreements with these creditors shall be at 50% of the original amount due under those agreements and the periods of the said repayment schedules under those agreements shall be extended to the point that all funds due these creditors by Debtor shall be paid in full.

Class 3 - All class 3 creditors will receive subscription packages for treatments provided in the business operated by Debtor, such subscriptions to apply for treatments that will be available to holders of individual subscriptions, one each in specified intervals that will extend over a five-year period. Each class 3 creditor will receive subscription packages in a dollar value equal to the size of their claim. With the exception of disputed claims, all class 3 creditors will also have the option of reducing the number of subscriptions and receive common stock in equal value in Debtor corporation, the sum total of all such common stock issued not to exceed 20% of the total outstanding capital of Debtor corporation.

Class 4 – The current stockholder of Debtor corporation will receive common stock of the newly reorganized Corporation, such common stock to consist of no less than 80% of all issued and outstanding common stock at the time of approval of the Plan and discharge by the court.

Article 5: Allowance and Disallowance of Claims

5.01 Debtor disputes the claims of LD Construction and American Express in part.

Debtor disputes the claim of Asset Acceptance in whole.

Article 6: Provisions for Unexpired Lease

6.01 Debtor assumes the unexpired lease on the premises where Debtor is currently operating its business.

Article 7: Means for implementation of the plan

Debtor will implement the Plan by generating revenue from the operation of Debtor's business, a court-appointed trustee liquidating collection receivables owned by Debtor and from the sale or conveyance for consideration of subscription packages for cosmetology treatments to be provided by Debtor.

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Article 8: General Provisions

8.01 Definitions and rules of construction

The definitions and rules of construction set forth in sections 101 and 102 of the Code shall apply when terms defined or construed in the Code are used in this Plan.

8.02 Effective date

The effective date of this plan is the first business day following the date that is 14 days after the entry of the confirmation order. If a stay of the confirmation order is in effect on that date, the effective date will be the first business day after the date on which the stay expires or is otherwise terminated.

8.03 Severability

If any provision in this plan is determined to be unenforceable, the determination will the no way limit or affect the enforceability and operative effect of any other provision of this plan.

8.04 Binding effect

The rights and obligations of any entity named or referred to in this Plan will be binding upon, and inure to the benefit of the successors or assigns of such entity.

8.05 Captions

The headings contained in this Plan are for convenience of reference only and do not affect the meaning or interpretation of this Plan.

8.06 Controlling effect

Unless a rule of law or procedure is supplied by federal law (including the Code of the Federal Rules of Bankruptcy Procedure), the laws of the State of Michigan govern this Plan and any agreements, documents and instruments executed in connection with this Plan, except as otherwise provided in this Plan.

8.07 Corporate governance

All provisions required by section 1123(a)(6) of the Code shall apply to the governance of this Plan.

8.07 Retention of jurisdiction

The jurisdiction of the court over this Plan shall terminate upon Debtor's discharge.

Article 9: Discharge

Upon confirmation of the Plan, no debt will be discharged except those disputed, which may be fully or partially discharged as determined by the trustees and the court. All other debts shall be satisfied in accordance with the provisions of the Plan.

Respectfully submitted,



Suong Nguyen